"3i Infotech Limited
Q4 FY25 Earnings Conference Call"
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MANAGEMENT: MR. PRATIK JAGTAP – E&Y INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the 3i Infotech Q4 FY25 Earnings Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pratik Jagtap from EY Investor Relations. Thank you and over to you sir.

Pratik Jagtap: Thank you, Zico. Good afternoon to all of you. Welcome to the Q4 FY25 Earnings Call of 3i Infotech Limited. The Results and Investor Presentation have already been mailed to you, and you can also view it on our website at www.3iinfotech.com.

To take us through the results today and to answer your questions, we have the top management of 3i Infotech Limited, represented by Raj Ahuja, Acting Group CEO. Raj will Start the Call with Business Update, after that we will open the floor for Q&A Session.

As usual, I would like to remind you that anything that is said on this call that reflects any outlook for the future, or which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included but are not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports that you can find on our website.

With that said, I will now hand over the call to Raj. Over to you, sir.

Raj Ahuja: Thanks, Pratik. Good afternoon everyone and thank you for joining us on the Q4 FY25 Earnings Call. I am pleased to connect with you again and hare an update on our Financial Performance, Key Business Developments and the Strategic Outlook.

Let me start with Q4 and Full Year FY25 Financial Highlights, followed by Business Update and the Future Growth Strategy.

For Q4 FY25, we have reported revenue of INR 187 crore, a sequential growth of 3.1%, driven by strong traction in the US market and effective execution across key client engagements. Our deliberate pivot to high margin deals and exit from low margin accounts helped strengthen profitability with EBITDA margin improving to 8.6% from 6.4% in Q3 FY25, supported by better execution and cost optimization. We have continued the momentum from last quarter and are confident to sustain the traction in FY26.

Our closing headcount stood at 4,552 employees. While this was a net reduction over FY24, it reflects our focus on aligning talent with business priorities. Our annual attrition rate stood at 17.9%. The billable count was 5,517 in Q4 last year FY24 versus 4,196 in Q4 FY25, whereas the non-billable count was 637 in Q4 FY24 versus 356 in Q4 FY25. This has resulted into an improvement of the billable to total headcount ratio from 89.6% in FY24 closing to 92.2% in FY25 closing.

For the full year, revenue was INR 725.8 crore, down 10.8%, primarily due to our strategic exit from loss-making and low-margin engagements. However, both EBITDA and PAT remain positive at INR 36.7 crore and INR 25.3 crore respectively. We ended FY25 with a strong balance sheet, zero debt and a total cash of INR 33.25 crore. Total assets stood at INR 572 crore and net worth at INR 307 crore. Our DSO has improved from 88 days in Q4 FY24 to 81 days in Q4 FY25. We remain focused on maintaining financial agility and working capital discipline.

Coming to the Segment Performance, in Q4 FY25, our AAA business contributed INR 131 crore, accounting for 70% of total revenue with a 16.3% gross margin. Growth was led by Automation, Advanced Analytics, particularly in BFSI and Government sectors.

Infrastructure services generated INR 36.1 crore in revenue with a 19.5% gross margin. We are focusing on expanding our cloud-native offerings and hybrid solutions and strategic partnerships to further improve margins.

Business Process Services delivered INR 19.7 crore in revenue at a 16.4% gross margin. We are actively advancing process automation initiatives to enhance operational efficiency and unlock higher profitability.

In terms of Geographic Performance, US revenue stood at INR 86.5 crore, growing 16.4% quarter-on-quarter and 7.2% year-on-year. The US continues to be a strategic focus where we are emphasizing high margins, value-led engagements across automation, cloud, cyber security and digital services. India registered revenue of INR 81.1 crore, up 2.7% quarter-on-quarter but down 9.9% year-on-year. The decline is primarily attributed to BPS segment, which has been impacted by regulatory shifts leading to insourcing, certain previously outsourced processes.

During the quarter, we secured 50 new contracts, comprising a healthy mix of engagement from new customer acquisitions. These wins reflect our growing relevance as a strategic technology partner in the IT services landscape.

Another key update I would like to share is regarding the dilution of 3i Infotech's stake in its subsidiary, NuRe MediaTech Limited. As announced in the last investor’s call, we entered into strategic relationship with key investors marking a pivotal milestone in the monetization of our

RailTel Project. I am pleased to confirm that the transaction was successfully closed on 31st March 2025 with the total consideration of INR 17.5 crore.

The Board has approved a rights issue of up to INR 100 crore to strengthen our balance sheet and support our strategic growth initiatives. This capital infusion will enable us to invest in expanding our high margin businesses, enhance our digital capabilities and improve overall financial flexibility. The rights issue will be offered to existing shareholders ensuring they have an opportunity to participate in the company's next phase of growth.

We also continued our commitment to employee ownership by allotting approximately 3.96 lakh equity shares under our ESOP scheme, reinforcing talent retention and long-term alignment.

As highlighted in previous calls, our core focus remains on sustaining scale and driving organic growth within our existing client base. We are also making notable stride in deepening our alliances with leading technology partners, while co-innovating with our clients to deliver differentiated value-driven solution that address their evolving business needs.

In the previous calls I have been asked that how I would be growing the company's growth and get back to profitability, what's the strategy? For the last few months we have been working on the strategy which is included in our Investor Presentation as well for all the investors reference.

Coming to the Long-Term Strategy, I am excited to share with you the road map that will define 3i Infotech journey over the next five years, our vision 2030. Over the next five years, 3i Infotech aims to establish itself as a high growth innovation-led digital transformation partner by pursuing the following strategic pillars.

Our first priority is to deliver predictable and consistent financial performance. We are committed to revenue stability through disciplined execution and forging long-term client engagements. This will be key to building investor confidence and ensuring sustainable growth. To support this, we are driving operational excellence across the organization. This means optimizing our cost structure, increasing productivity, adopting automation and streamlining our delivery models.

We are also sharpening our focus on outcomes. Our delivery approach will be guided by structured governance and KPIs that are directly aligned with our clients' business goals. This ensures we are not just delivering services but making a measurable impact.

Strengthening our sales engine is another key area. We are investing in building a high-performance sales organization with ongoing training tools and enablement focused on solution selling and industrial led value articulation.

In parallel, we are leveraging on account mining across geographies. There is a significant opportunity to grow within our existing client base through cross-sell and up-sell strategies. Our focus on expanding our presence in the US market will be critical, with strategic client engagement and offerings tailored to their new needs.

We are also deepening our ecosystem by forging strategic alliances, stronger collaboration with OEMs and hyperscalers will help us co-develop innovative solutions, boost market visibility and drive qualified pipeline growth.

Inorganic growth will play a strategic role as well. We will pursue targeted M&As that enhance our capabilities and expand our delivery footprint, particularly in niche technology areas and new geographies.

All of these initiatives are anchored by aspirational yet achievable goal to triple our revenues and achieve a high single digit EBITDA margin by FY30 through focused investments and a smart scaling strategy.

Over the next five years, we will focus on robust execution and scalable growth across all three lines of businesses. The key part of the strategy involves strengthening our core offerings and expanding our footprint in high potential regions such as North America and the Middle East.

We also plan to enrich our portfolio by integrating next-generation technologies like Blockchain, AI, IoT and Cybersecurity alongside this driving improvements in key operational parameters will be critical to sustaining profitability and supporting long-term growth.

To scale and grow our line of businesses, we have designed strategy for each LoB as well. Starting with our AAA business, for the business growth, we are deepening customer and leadership engagement while expanding BFSI opportunities through solution in data governance, AIML and RP Automation. On capability building, we are strengthening domain expertise in BFSI, automation and data, while enhancing pre-sale and solutioning to improve conversion rates, expanding our talent pipeline with targeting hiring from tier one and two institutions is a key focus. In workforce authorization, we are aligning talent deployment with business priorities through proactive hiring, upscaling and securing critical work permits in the US and Middle East to retain top talent. Lastly, on technology expansion, we are investing in in-house capabilities across Salesforce, SAP and Microsoft Dynamics and establishing Center of Excellence in emerging Technologies to ensure scalable growth. These initiatives are aligned to enhance our competitiveness, improve margins and create long-term value for our stakeholders.

Moving to our BPS business, we have a well-defined strategy to scale operations and enhance profitability. We are expanding into high value markets like US and UAE, prioritizing mid-size clients. From a positioning standpoint, we are establishing 3i Infotech BPO as a domain-led transformation partner offering differentiated automation driven services tailored to suite customer needs. On the talent front, we are investing in leadership development and AIML-driven training programs to build a scalable future-ready workforce while fostering a culture of continuous upskilling. To optimize margins, we plan to shift 25% of our operation to Tier 3 and Tier 4 cities complemented by government apprenticeship programs. This will help us enhance cost structures and strengthen employee retention through an employee-first engagement model.

Coming to our next line of business, Infrastructure Services, we are focusing on scalable output-driven solution in ITSM, AI Ops and Cybersecurity to compete with global leaders. Our priority is to scale high margin offerings in cloud, cybersecurity and AI-led IT operations with a strong shift towards outcome-based contracts that align with client KPIs and drive profitability. To support this, we are investing in talent retention, automation and innovation, targeting sub-10% attrition and establishing CoE in AI, cloud and cybersecurity for differentiated service delivery. Financially, we will maintain a debt-free or low debt, high margin model leveraging strategic OEM partnership for core development and joint go-to-market initiatives, ensuring operational resilience and disciplined capital allocation.

In conclusion, Q4 FY25 has been a period of consolidation and strategic realignment. We believe that the foundations laid during this period will position 3i Infotech for sustainable growth in the coming years. I would like to express my gratitude to our stakeholders, employees, clients and partners for their continuous support and trust in us. We are confident that our strategic initiatives, strong execution capabilities and dedicated teams will enable us to deliver sustainable growth and value creation in the coming quarters.

Thank you. I will now hand over the floor to moderator for Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Ramkumar, who is an investor. Please go ahead.

Ramkumar: I have two questions. The first question is in the previous quarter if I recollect the FOREX gain contributed quite a significant amount to the profitability. So, is it similar for this quarter as well -- is it FOREX gain and something else that has contributed? That's the first question. Second question is with regard to the future. The next five years, that is by 2030, the earlier revenue projection was around $1 billion. That's what the previous management had spoken about. Now it is showing it will be INR 2,250 crore, 3x from current revenue. So, this drastic reduction, how should we read into it?

Is it because the market is not likely to grow at the expected pace, are there other challenges that have come in, anything else that you can throw light on this reduced projection?

Raj Ahuja: Thanks for your questions. Coming to the first question on FOREX movements contribution to profitability, last quarter we had a huge FOREX gain mainly because of the FOREX movements in the international markets where the dollar rate appreciated, and rupee depreciated. We have lot of FOREX assets and that's the reason why we had booked profits in the last year on the FOREX line item. This year, though, most of the quarter mainly January and February, the FOREX rate remained very strong, but in March they were at similar levels as December plus/minus few small percentage points, but they were in the similar range of December. So, there was near zero movement on the regular operations as far as FOREX is concerned. If you have seen, we have done (and is part of our consolidated financials note #8) investments reevaluation between India and our UAE entity and that has given us a hit of around INR 27.16 crore in the FY25. This has been incorporated in the current quarter. Other than that, FOREX has been mostly stagnant for us throughout the quarter.

Coming to the second point, we had clarified in the last two calls that the previous management obviously has very different aspirations. Once the previous management has left and I have taken over almost a year back now, our focus has been to grow very profitably and not to focus on top line. So, if you have seen our top line, it has degrown in this year as compared to many other players in the market who have seen the growth. And the main reason for our degrowth has been that we have been focusing on cutting down the wasteful deals which is yielding either very low margin or negative margins. Our base now has been corrected, and this has taken us obviously three years back in terms of revenues as we were around INR 700- plus crore around three years back. We are restarting the journey from there, but this journey is focused more on the profitability and not on the revenue. That's why we had to recalibrate our top line aspirations where we want to focus more on the value addition, focus more on creation of value and growing profitably. That's the reason that we had to taper it down. The market obviously has their own challenges, but this impact is less because of the market and more because of our internal preferences changing over the period. Thank you.

Ramkumar: Just wanted to understand one extended query of the first question. So, does it mean that the core operating profit will take some more time because all this FOREX and other, there's intercompany things are, I don't know from my understanding, they're not really core to the operation. So, from a core operating profit point of view, I just wanted to understand how we will see the trajectory going forward.

Raj Ahuja: You are absolutely right, Ram. You should be looking only at operating profits and most of the other things including FOREX are items, though part of operation, but not the operational profitability which has been contributed by the management. It is more external forces which drives the FOREX. So, if you see our EBITDA, which is prior to the FOREX implication, that itself has grown from INR

11.7 crore to INR 16 crore this quarter, which is an improvement of almost 37%. All our internal measurements also are done prior to the FOREX adjustments, depreciations, tax expenses. Those things are excluded, and our operational performance even then has improved 37% quarter-on-quarter. There's no comparison to the last year because last year at operating level, we have done loss of INR 60 crore in full year at EBITDA level, while this year is INR 36.7 crore profit. It's a swing of almost INR 90 crore improvement in profits since the last year. Obviously, the balance sheet is important, but from an operational parameter point of view, we focus more at EBITDA level and less on the PAT level.

Ramkumar: Okay. Thank you. I hope the growth trajectory is intact and like you said the profitability aspect keeps growing because I have been a long-term investor, I have been holding on to this and I just hope I will see the light at the end of the tunnel one day.

Moderator: Thank you. Our next question comes from the line of Nandkumar, who is an investor. Please go ahead.

Nandkumar: Sir, good afternoon and congrats on a good set of numbers, sir, and congrats to you for turning around this company in such a short time. It's been just one year, and you have been able to turn it around. Sir, you mentioned 3x revenue by FY30, but you said high single digit EBITDA is only possible, but already EBITDA is at 8.6%. So, is there scope for further improvement of EBITDA margins in the next few years? My second question is as we are already cash-rich, So what's the purpose of the INR 100 crore rights issue?

Raj Ahuja: Thanks for asking. First of all, thanks for the wishes and congrats that you gave. It's not only my efforts, but also a combined effort of ~5,000 employees of 3i who has worked day in and day out in these tough conditions where the management was changing and there were lot of insecurities and apprehensions. Everybody has contributed equally to the success and the results here.

On our vision of tripling our revenue by 3x by 2030, while maintaining high single digit EBITDA margins - The main reason why we have given this guidance of a high single digit as of now while we are already at 8.6%, in this year, a lot of cost optimizations were done, we got rid of lot of low-margin revenues and lot of other investments we had to stop, to bring the company back to profitability first. While we continue to be more focused on our cost structures and manpower structures, if we want to grow at such a high speed 3x 2030 means it's a CAGR of 24%-25%. We will have to do a lot of investments over a period. Like I mentioned in my strategic section that we have to do a lot of partnerships, we have to create center of excellences, we have to create a sales engine which is almost non-existence today, we have to do some other investments in the newest technologies including the training and upskilling of our employees. This all will require lot of cost to be built up over a period. We will continue to go slow. It's not that we are going to open the doors for all the expenses to flow in, but over a period, we will have to keep allowing those investments to happen in various new initiatives which will help us in growing at 25%-26% CAGR in the next five years. Because of those investments, in the initial few years, we will have to spend money and that will put a little bit of strain on our EBITDA margins. On the earnings side, our EBITDA margin will obviously continue to improve as we progress more towards the new geographies or to go deeper in our client relationships, but that will equally get compensated by the increased cost. That's the reason why we have given a high single digit EBITDA margin prospect as of now. We will continue to review it and revise it if is required in future based on how we progress and how the markets progress over a period of time.

Your second question is on the rights issue. This is actually linked to the first question which I have answered. The rights issue will be required mainly to ensure that we have enough resources with us for doing this investment what I just mentioned. Obviously, the investment happens first, and the returns happen later in this kind of stuff. We are building up this fund with us to ensure that we have the right amount of money in our bank accounts to spend and invest in these initiatives, which will help us in growing at a later stage. Currently, we are cash-positive, but the cash-positive is based on our scale, which is very, very less. Most of our cash balances are locked in the deposit, which are for the bank guarantees and for other deposits which we give to the government for the government bids and deals, and they are not freely usable to some extent. That's why we need the liquid cash to do some investments for future.

Nandkumar: Thank you, sir. So, no acquisitions on the card, sir?

Raj Ahuja: As of now, we don't have active acquisitions. We obviously keep a watch. We keep getting some references almost on weekly basis. We keep evaluating some of them if we find interesting, but we don't have any active interest as of now in any M&A opportunity.

Nandkumar: Thank you, sir. I will join back in the queue.

Raj Ahuja: Sure.

Moderator: Thank you. Our next question comes from the line of Shantakumaran, who's an investor. Please go ahead.

Shantakumaran: Good afternoon. I am Shantakumaran, a very long-term investor. Firstly, congratulations for turning around the company and you made it profitable. Congratulations. Now I got about three or four points. Almost all those points may sound a bit critical, but just understand these are the critical points, observations from a very, very long-term investor. I am with the company from 2007 onwards and have not even had a single paisa of return. So just take it as the grouse of almost any other investor in this company. First and foremost, how come that even after one year, though it is a question to the Board, you are still an acting CEO, why this democrat sword hanging on your head? The Board should address it immediately and make you this thing so that you can carry on the assigned task the way it should be that. That is the #1. #2, I already gone through your strategic vision document which you said, but the first sentence which you have mentioned in that is really troubling me which says the weak leadership and lack of direction of the erstwhile management. That's the usual crib almost every bureaucrat or any new person coming always say that the person before me was an idiot, I am going to change everything, I will bring in the honey and that kind of thing. So that's actually a point of a contentious point to me. The next point, the earlier the CEO used to say that a revenue of INR 750 crore is a cake walk that even if the company stand still that you can make INR 750 crore of revenue every year. So, we have presently now about INR 735 crore of revenue. So are we standing still? Please, as I said, many of my points will be critical. Please take it with a pinch of salt. The next point coming to that game, the earlier slogan was a billion-dollar revenue by 2030 and 1,000 crore of revenue by the end of FY25. Now I see that has been turned into, though you answered this question a 3x revenue. So almost everything is just a kind of strategy direction. I am not seeing anything which is so actually okay, oh, yes, this is a great point on this the company will do. That kind of a revelation kind of a point I couldn't see. It may be my inability to spot it. Please show it to me if there is anything like that. The fourth point is coming to the forensic audit. We have said that we have been given such a grim picture that the forensic audit was supposed to reveal something, something, something and what I am saying is only earlier the management committee, now some external committee, some only committees are being formed, and no action has been taken and the outcome of this forensic audit has not been revealed to investors. One of the points I don't know whether it is correct or not, my grouse is this company or somehow exists only for the employees of the company, has got zero concern for the investors. I will just tell you one thing, once upon a time I think two or three years back once the capital was reduced the share prices shot up to 120. Huge amount of ESOPs were announced and all of them were given even to the people who have left the company who have gone and made a part of another company were also given this ESOP and they promptly sold it all those ESOPs on the market and the share price crashed. That we, the investors, got nothing. So is this kind of that those ESOPs where they are so part of the inquiry into the forensic audit please let me know. One more thing. Just only the last point. See, most of these public sector companies and things like that do have a shareholder's representative in the Board as a director. There is a question to the Board as shareholders representative. I think almost all the Directors barring one person has got no skin in the game. I think one person had about 50,000 shares or something. I don't know whether he sold it or not. So, the Directors have got no skin in the game. So, this should be a position given from so much of the vast number of the individual investors, at least one person should be given a representation into the Board so that the investors, since you don't have a promoter, the investors point of view get reflected in the Board. Thank you. Please don't take it to very personal, Mr. Raj, but you are doing a great job, but please take it as a grouse of a very longstanding individual investor. Thank you.

Raj Ahuja: Thank you, Mr. Shanta. Your feeling is all well accepted. There's nothing wrong in whatever you have mentioned because I have also been investor in the companies, I have also been holding shares in the past. I have also seen that the company not doing so good and you get frustrated on how the things have panned out. Your point is right. The very first point in the vision 2030 we said that in FY24 we had a weak leadership and lack of direction. That was not a complaint about the management. The past management also has been very professional, the Board members have been professional and coming from good backgrounds. It's about the objective in with which they were working with and whatever like, say, goals they had in their mind, that was not commensurate with the kind of resources which have been deployed and the kind of team building, which has happened in the past. So, this was not a complaint or a grouse against the previous management, it was more about their thought process which has not helped the company and the results were visible; last seven, eight quarters we have been booking losses and the Board has to take whatever calls have to be taken, some people left, some people have been told to leave. All those actions were taken. When I started a year back, I have not started with that negative thing that the previous management was weak. They did whatever they thought was right at that point of time. Maybe it has not yielded results in the right way, but there is not due to lack of professionalism from their side. That's what my take is on this matter.

As far as acting CEO is concerned, that's beyond me to comment. I will pass on this message to the Board and Board is the right team to consider this request from yours. I will obviously be much happier if I get a formal CEO position. But having said that, the Board has given me full authority. From a day-to-day point of view, there is nothing which they have not authorized me to work like a full-fledged CEO and I have been acknowledged by my teams here in 3i as a CEO. Acting or no acting, I still work like a full time CEO here. Just because the acting tag has not demotivated me for delivering what I am supposed to deliver.

On your billion dollars versus 2,000 crore, I have already clarified that the strategy has changed. There was a lot of money which was being invested in a lot of products businesses which would have given us huge billion-dollar revenue, those projects have not yielded any results. We had to shut down after I took over, we have closed a lot of such projects, which has not yielded any results in the past and we continue to stay focused on being IT services and solution company rather than doing heavy investing in the products business. We continue to have some products in our portfolio which is there in the Investor Presentation. But those products are more helping us as tools and not being sold as a product in the market. So, investment in products which have not yielded have been closed and that has resulted into our top line being recasted or recalibrated at the number what we have said in our presentation.

Forensic audit. Like we reported in the last quarter, the forensic audit got concluded. We had made findings in our disclosures. Whatever we could do within confidentiality norms, we had done- like announcing that there is no financial implication on the balance sheet of the company. We stay strong and profitable from that point of view. But yes, there are certain things which we still need to do to conclude as a part of the forensic audit, and we don't want to take the next formal step till we are very clear that we have a tenable case over there. For the sake of confidentiality, I can't share more information than what we have already made public. So, we had taken some legal opinions on how to conclude that forensic audit, and those have been positive. Before we start any other further legal or other proceedings, we have decided to take help of some of the esteemed people as a part of the committee. This is not a long-term committee, and it may be the final step in our journey to conclude the forensic audit positively, and this will happen in this quarter itself. So, Q1, we are targeting to close the outcome of this committee and the next steps after that. And once I will be in a position to share more information, we will be happy to do so. But since the matter is pretty sub judice, I will not be able to give you more details than this at this stage.

I was not there at that point of time when this product business was sold, and you've mentioned about ex-employees who moved to Azentio also were given ESOPs. At that point of time, this was done as a part of our ESOP schemes. Whatever is employee entitlement, even though the businesses got separated, at that point of time based on whatever entitlements they were having, they were given the ESOPs. It was not that they were given any kind of favors as compared to what they were entitled to. So, nothing wrong has been done or no favoritism has been done to the people who were leaving. Once you get an ESOP, it's your prerogative when you want to sell in the market, whether you want to sell immediately or later. Once the shares are issued, then it is up to the shareholder to decide when to sell, and we can't control whether the employee can sell after that or not.

We are equally concerned for the shareholders. You mentioned that there is a zero concern for the shareholders and the company only works for employees. In my opinion, employee gets only a salary and they obviously don't have any vested interest in the share of 3i other than the ESOP what they hold. At least the team, which is there with me in this room, including myself, we have full respect for the shareholders who have shown faith in our operations and shown faith in this company. They are spending so much of time that they are in this call and asking very rightful questions. We are all working towards shareholders value creation and the efforts which we are putting is all to create profitability and the value for the shareholders. I can assure you that shareholder remains the top of my priority. And obviously employees are important because they are the people who are helping me to deliver this.

You mentioned about the director shareholding. There is currently no present director who is holding any share in the company as of now. And yes, to that extent they are all independent and don't have vested interest in the company's performance. As of now, if you see the process which is followed, the Directors are not appointed by the Directors or by management, all the Directors are appointed by the shareholders. So, to that extent, all the Directors are representative of the shareholders, it is not only one or two Directors, everybody is representative of the shareholders and shareholders have all the rights to approve or disapprove any such appointments. There are independent Directors which have a legal obligation under the various acts and statutes to take care of the interest of all the retail shareholders. They have also had fiduciary responsibility and they're also accountable to the shareholders to that extent, if any mishap happens. They are also accountable to the authorities to justify that whatever decisions or whatever steps they took, how those have helped the company. I have tried to answer all your questions. If there's any other trailing questions, I will be happy to answer those.

Shantakumaran: Thank you. Mr. Raj. You addressed all the questions which I raised, but certainly just as I said that when the Directors does not have skin in the game, then they are working only for the sitting fees. Forget it. And all the very best. You have taken the company to the right direction. Hope you will be able to deliver all that which you have thought of. All the very best from all our side to take company to greater heights. Thank you.

Raj Ahuja: Thank you, Mr. Shanta.

Moderator: Thank. you. Our next question comes from the line of Tushar Giri, who's an investor. Please go ahead.

Tushar Giri: Thanks for the opportunity. My question is what is the rationale behind deciding for rights issue and did you explore other funding options? There is a concern that from my understanding the rights issue will dilute the existing shareholding and bring down the share price even further, right, which is already at the bottom. Do you think that the existing shareholders would participate in the rights issue whose investment is already wiped out? In case if the issue is undersubscribed say by 50%, then do we have Plan-B?

Raj Ahuja: As of now the rights issue has been approved by the Board and the Board has created a Rights Issue Committee which will look at all aspects of how much actually the funding has to happen. We have got approval of up to INR 100 crore, doesn't mean that we will actually raise INR 100 crore. The Rights Issue Committee, which is a Board Committee, will determine, based on the various requirements, based on the budgets which I will be placing in front of the committee on how we want to spend the money. So, INR 100 crore is not just granted. Firstly, it has to be proven that how much money is required and what are the heads under which this money will get spent. So, we will have to wait for some more time before we can say that what level of money is being raised from the market. On the rationale, I have already mentioned that now since we need to grow, this last year we have spent a lot of time and energy on ensuring that the company is stable, it goes back to profitability, and now we have to start spending money to grow ourselves and that investment is important from that point of view. With that investment happening, obviously, the growth will happen, the revenue top line will grow, the profitability will be increased and that all will lead to the increase in the shareholder value. So, it is more like when you invest in the right place at the right time obviously then your value will go disproportionately higher as compared to not doing any further investment. There will not be any dilution in my opinion to the shareholders' value and individual shareholders' value also, mainly because it is being offered to the existing shareholders. Whatever value is created, it is distributed among the existing shareholders only and not a third-party coming from outside. Whatever investment happens and whatever value gets created, it gets distributed in the same ratio, provided the shareholders apply for the rights issue and subscribe to the rights issue.

We had evaluated a couple of options and each of those options we thought the rights issue is a better option at this stage in the company knowing that we had gone through a debt restructuring around three years plus (four years roughly) back, availability of funding from the banks and other institutions is difficult for us even now. Even though we don't have an embargo now, but it's very difficult for us to get bank funding at this stage, plus with focus on profitability, we don't want to have interest-bearing borrowing at this stage. That's why after lot of deliberations on various options available, we decided that rights issue is the better option, because that gives the current shareholders to participate and create more value for the company.

Tushar Giri: Yes, I got my answer. So just one follow-up question. So, regarding the top line, we are even observing that there's not much improvement in our top line from the past several quarters, right and neither we see any large deal getting materialized. So why are we not hiring competent salespeople having proven track record in other well-known IT companies? So anyways, we are granting ESOPs, right? So, are we actively considering to build a strong sales team?

Raj Ahuja: Top line has been growing in the last three quarters, though obviously it's a very small percentage, it's growing, but after taking control on the baseline, now we have started growing in the last three quarters, very small. And yes, for the last one quarter, the focus has shifted on the creation of a sales engine which has not been very fruitful till now. If you would have seen our disclosures, we have appointed our Chief Growth Officer, Vinod Pahlawat, who joined us from CMS IT, who was the CGO over there also, and we are creating a very strong second line below him. We're doing right kind of hirings. We are going slow because, like you rightly said, we want experienced people, performing people at the right cost, with the right blend of the fixed pay versus ESOPs versus incentive. We are very careful in hiring especially sales people, but that exercise has already started and some of the investments which are required, which will be used from the rights issue, are all investment in sales. That's the topmost agenda item for the usage of the rights issue money. You should just keep an eye on the sales space. We are focused on that and for the last three months onwards, we have started focusing on building up the sales funnel and the sales teams.

Tushar Giri: Are you seriously thinking about any merger and acquisition deal where 3i can be a strategic target for any other IT company? If not, then why?

Raj Ahuja: As of now, we are not actively looking at either acquiring or getting acquired, nothing is on the table very clearly. Like I said, in one of the previous questions that there are queries which keep coming not for acquisition, but for us to acquire. We keep getting queries, we keep evaluating them and keep taking the call if it makes sense or not. At least we stay connected to the market. So, as of now, we have not even thought through that piece and there is nothing on the table at this time.

Tushar Giri: Okay. Thank you.

Raj Ahuja: Thank you.

Moderator: Thank you. Our next question comes from the line of Sanjay, who's an investor. Please go ahead.

Sanjay: Congratulations, Raj, for a stable quarter, some positive. We're going to be looking for the rights issue, i s it going to be next quarter or the next six months and what is giving you confidence that the rights issue will be successful because right now I don't think any institutional investors are really into your company on that? And the second question is about you mentioned that 50 new logos have been added, right? In the last year I have not seen any announcement about the new deal, or any customer added from the company. Some announcement, some information is important. And the third question is about I think it's a couple of years they have been talking about, I think the Vashi property to be sold off or to be leased out. So, what is the status of that?

Raj Ahuja: Okay. Thanks, Sanjay. Rights issue, as I said, we are still discussing with the Board and now the committee has been constituted under legal regulations. We will take help of the committee to see that how we pass through this rights issue. It's too short a time for this quarter. This will happen around the beginning of next quarter if I can estimate at this point of time. How much rights issue will get subscribed and how do we ensure? That we have to do a little bit of a dipstick before we go live on the rights issue and then that also depends upon what the kind of price we are talking about. There are active interests. There have been a lot of investors who have been talking to us in the meantime who are interested in participating, some are existing shareholders, some are not existing shareholders, but they obviously will have to subscribe as the existing shareholders if they buy from the market. So, we are evaluating all those parameters from our sources and at the right time when we are confident then only will come with the rights issue. Obviously, we don't want the rights issue to fail because that will be another big problem from our market standing. We will come to the market only when we are sure of it.

We have added 50 new logos. This is across the geographies; we have added roughly around 24 logos in US; we have added 21 logos in India; four in Middle East and one in Asia Pacific other than India. That's the broad split of these 50 clients. Most of the clients Tier 2, Tier 3 kind of customers, but out of this around five customers across, two in US, two in India and one otherwise are the big clients which is more like top 1,000 companies in their respective countries. Last time also this point had come. As a matter of practice in the past we have not been announcing individual deals. Also because of the confidentiality reasons, some of the customer doesn't want the name to be published and each of those separate deals are not big enough deals for us to be legally reporting in the market. So that's why we don't report deal-by-deal winning, but as a matter of this last, 2 quarters back, we have started this practice of at least giving the overall numbers and some flavor in this quarterly calls and investor presentations.

Vashi property, yes, we have been talking. We have big space over there, almost 80-85% is utilized and we are evaluating that how do we make use of the balance 20% at this stage which includes shifting of our existing headquarters to Vashi. We are also looking for a tenant or selling the property. So, it keeps getting discussed, we are talking to a few people who are active in this market and the monetization of this property is underway. In the next one quarter, we should be able to close either utilization of that property or disposing of that property, either ways, through tenancy or through selling. Selling may not be possible - either tenancy or utilization within our own company. We also have huge growth plan and that growth plan of the next year plan what we have, that will require a lot of extra space depending upon which city and which business. If Vashi or Bombay becomes that place of growth, then obviously this will fully get utilized in two to three quarters from now. So, Vashi property is not lying idle. It is being utilized, it is monetized except for this 15-20% free space.

Sanjay: Thank you, Raj. One more question for last quarter, there is a growth in PAT and even some revenue. So, are we saying that quarter-over-quarter for FY26, are we going to see that the growth will continue, or this is one of the quarters again there'll be a dip in revenue or profit, I mean it will be a continuous profitable year?

Raj Ahuja: So, you asked two different questions. One is the revenue, second is the profitable year. On the revenue side, if you have seen, though we are growing quarter-on-quarter, our growth is very small as of now; it's 2%, 3%. Depending upon one or two small deals or all movements in one of the geographies this can go either way. As of now, we are continuing to maintain that, we will be in the same ballpark number for the next two quarters. Obviously, we will continue to grow, but it will be a small negligible growth in the next two quarters. And by that time the sales engine will start kicking in, then we will start having growth. We have a huge pipeline and we have created this pipeline with the efforts of the last two, three quarters now where we have started engaging with clients very aggressively- both on the upselling, cross-selling, new clients, new geographies. We have started working very actively in this space. My guesstimate at this point of time is Q3 onwards or end of Q2 somewhere we will start staying a sizable growth across the three business lines we have. We are also talking about lot of partnerships and OEM relationships to start. There also, the work has already started and that will also start yielding results in one to two quarters from now. So, with all that thing, we will be well poised for growth in the next full year as compared to the current year for sure. And profitability, that's given now. We are not going to go back to the losses unless something else happens externally. We are well-poised for like, say creating even one more year of improved profits next year. Thank you.

Sanjay: Thank you and all the best.

Raj Ahuja: Thank you.

Moderator: Our next question comes from the line of Kiran Rao, who's an investor. Please go ahead.

Kiran Rao: Congratulations on the good set of numbers. I hope we will sustain these profitable internal numbers going forward. My first question is a little qualitative. How much do you think this management contributed to the turnaround? Was the old management trying to turn it around from 2022 and then this management was right at the time when it was almost turning around? So that is question #1. How much do you think the wins that the balance sheet can support, in the sense, can you handle INR 100 crore contract that you might win? Considering that the hike and the bonuses period is around, what do you think will be the guidance on the profitability for the coming quarters? The next question is, can you give a guess number as to what will be the ROE and ROCE? Year wise, do you plan to give any guidance on the numbers rather than having the vision 2030 kind of a thing? That is all from my side. Thank you.

Raj Ahuja: Thank you, Kiran. Thanks for your question. The first question obviously you yourself said, it's very qualitative- that how much this management has contributed versus old management. The fact of the matter is, when the previous management left, the results till March '24 were made public and everybody is aware of what kind of investments had been done. The full balance sheet and the report disclosures, everything is there, and it is left up to the judgment of the individual shareholders to judge that how much value had been created in the past versus the last one year. The fact is that there was a complete cut-off because almost all members of the previous management left around the end of last year, and this management is completely new. So, there is no continuity of the management, except few members; everybody else has come afresh. Lot of activities have happened internally. We know that what are the things we have done to put lot of brakes on the investments, the cost control and optimization at various stuff including consolidation of our physical offices, new employee hiring and the whole results have composed that. So, not to take credit, but this management in the last one year has done a lot of work to ensure that the company turns around. These activities did not start in the last year. So, all these activities what has contributed the profits I can vouch for it that

90% or 95% of these activities started only in this year, mostly after I have taken over or maybe a little bit before that after the previous management has left the gap in between. So, some work had started, but most of the work started after that. So, difficult to say, but nothing has happened on these initiatives by the past management.

In my opinion, a very rough estimate as I have not done the math, but my gut feeling says that around 10% to 15% of the growth, the current balance sheet can handle without any further investments. If we need to grow more than 10-12%, we will need support from the funding point of view. But the existing businesses can keep running at the same pace, plus around 10% annualized growth, without asking for any investment from anybody. But like you have seen, our aspiration is not to grow by 10%. Market is huge, lot of things happening with the new-age technologies, lot of offerings happening and that requires a lot of investment from companies. So, we can grow at much faster pace as compared to 10% and that's why part of the rights issue will obviously go in that growth capital and not just an expense.

Profitability, obviously, we have not come to that session when we're talking about the payroll adjustment for this year. That's an agenda for the next quarter for us and we will take a call based on the first quarter results, we will take a call on how we are working on the plans of this year and then accordingly we will take a call. But yes, market practice, we have seen a lot of IT companies have delayed or deferred or reduced their pay increases to neutralize the impact which has come through a lot of external sources including what is happening in the US or Ukraine or Middle East. So, those things are a little dynamic and at the right time, the Board and the management will propose and take call on what is the right thing to do for the employees at that point of time. We obviously had planned for it, but we have not thought through the execution piece as of now.

Our ROE is around 8% currently and ROCE is at around 5%. We have not given any guidance in the past and neither we have like say calculated or any planning to give any guidance at this stage. Next quarter if we can do some calculation and come back with some proper numbers, then we will see. At this point of time, these are the historical numbers which I just shared. Thank you. If there's anything else, Kiran?

Kiran Rao: No, I am good. Congratulations and let's hope we will continue the momentum. Thank you.

Raj Ahuja: Thank you, Kiran.

Moderator: Thank you. Our next question comes from the line of Anurag Singh, who's an investor. Please go ahead.

Anurag Singh: Hi, everyone. Good evening. First, I wanted to understand the developments or the growth that you're planning in the product space, specifically in NuRe Campus? And what are we doing with the NuRe subsidiary? And the RailTel project? And the second question is linked to this that most of the investments being done in 3i right now was for the product that is being developed, at least that was my take because that gives us the opportunity for explosive growth in the future whereas focusing everything back on services doesn't. So how are you trying to realign the two?

Raj Ahuja: Okay. Thanks, Anurag. Little bit on that NuRe Campus and the NuRe products. We had started this product journey by the previous management somewhere around 2022 where we decided to start some development around products. We had worked on almost 10-plus products. NuRe Campus was one of them. And if you've seen our investor presentation, NuRe Campus is one of the continuing products. Four of those products out of around 10 plus products are continuing as of now, though we still continue to be in the analytic phase as of now as to how do we make the monetization of these products happen in the market? NuRe Campus is doing fine. It's a separate subsidiary and the product is already launched. That's an ERP product for the educational institutions. We are already live at 14-15 educational institutions across the country. At this point of time just a little below breakeven, it’s making small losses on a month-to-month basis, but it's already driving almost INR 2 crore of revenue every year, which we plan to make it little bit more than 1.5 times next year. Lots of good projects coming up over there. And with that, we also have plans to take it to the global levels, start working with the global universities, institutions and all that. So, we have plans to take that product aggressively in the market.

Other than that, other NuRe subsidiaries, we have closed down most of the other products. There are three products which we are still continuing in which we're trying to evaluate if we can monetize those. Those are good products, near closed products and we are working on monetization of those products, whether through revenue or through a partner like what we've done in RailTel. Either way, we need to take a call in the next two quarters based on our commitment to the Board if we can convert those products also to profitable products. Last year, other than NuRe Campus, no product has contributed anything in revenue. It was all cost only till last year other than NuRe Campus and some small revenue here and there. NuRe Edge and NuRe Flexib+, which were two other products, continue to give us revenue. Those were the tools which were developed as a part of our offerings and those two products also are giving positive results as of now. That's all on the product side. We have no intentions of further adding any products as of now.

Our philosophy has changed in the last two, three quarters a little and we have realized that there are a lot of innovation happening across India and other geographies. We intend to play along with those innovations rather than trying to do innovation of our own. We are trying to do partnerships, we have already started talking to a lot of companies who are actually working in AI, IoT, Blockchain space and we are talking to them for a common GTM strategy at this stage where we use our market reach with those new-age products and going together in the market. So, our focus is going to be more like we are going to sell the product including the implementation and other peripheries attached to that, not by creating and investing on the products, but by taking somebody else's product to the market as an OEM or as a partner. So that's the little change in the philosophy. We have decided that our DNA is more for services-based offerings, and we are continuing it as per our DNA for the time being. I hope I am able to answer, Anurag.

Anurag Singh: Yes. So, I understand what we're doing in NuRe. And one suggestion that even if 3i cannot disclose any information related announcements related to what it has done, at least let NuRe as the startups do it, there should be some positive news in the market about the company. Secondly, could you give more details on what is happening on the RailTel project? How much of the stake was divested and what is actually happening on-ground in terms of implementation of the same?

Raj Ahuja: Sure. I missed that RailTel point of yours. We had made public disclosures that we have got the partners in the last quarter closing, which is going to partner with us to manage this RailTel project. This was a project which we got around '22 mid and we couldn't monetize it properly. So, we got this investor who has funds to invest in this project as well as has the capability and expertise to manage advertising and digital media business which we didn't have expertise in-house. The deal was closed, MoU was signed, agreement was signed last quarter, we have moved forward in this quarter where they have done the initial investments whatever was the structure in terms of the working capital financing as well as the equity capital in one of the subsidiaries, NuRe MediaTech. We have diluted 49% to them and 51% continues to be with 3i and as we had made public that their responsibility is to do all the working capital financing as well as the execution and operations of the project under the governance structure of 3i. This is what has been discussed and been put in place. At this stage they have taken over the operations, now we are revamping the complete operations, we are reviving all the sales and revenue and deals what we had signed off as a part of RailTel. That work has already started. Around four weeks from now, the project will be back onstream with full-fledged operating platforms available and we're also in parallel discussion with RailTel on how we work together in future. New partners also have been introduced and RailTel is also aligned to these developments. So that's where we stand. Next four to eight weeks, most of the things will be up and running back onstream and there may be some results coming into the next quarter's financial from RailTel.

Anurag Singh: Thank you. Thank you for your answers.

Raj Ahuja: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question of the Q&A session. I now hand the conference over to the management for closing comments.

Raj Ahuja: Thanks. People have been very, very positive in the call. I can see a lot of expectations building up with the results what we have shown in FY25 and that's a challenge which management will have to deliver in the next quarters to come. I have my management team sitting in the room and we are all committed to continuing to be in this journey for a longer period. Thank you once again for your support and looking forward to seeing you again next quarter. Thank you.

Moderator: Thank you. On behalf of 3i Infotech limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.